

21 May 2019

ALS delivers 27.3% underlying profit growth and 27.8% dividend increases

- **ALS FY2019 Underlying NPAT exceeds guidance at \$181million,**
- **Final dividend 11.5 cents per share, up 27.8%**
- **EPS is 37.1 cents per share, up 31%**
- **Revenue from continuing operations of \$1.665b up 15.1%**
- **Life Science margin up by +110bps to 15%,**
- **Superior EBITDA margin to global peers in TIC sector, 20.9%***
- **Strong balance sheet, capital management platform to drive future growth**

ALS Limited (ASX Code: ALQ) today announced an **underlying net profit** after tax from continuing operations of \$181.0 million for FY2019, exceeding the guidance range of \$170 million to \$175 million provided to the market in November 2018. The result was 27.3 % higher than the \$142.2 million comparative underlying net profit after tax for FY2018.

The strong financial performance reflects enhanced levels of profitability and organic growth across all regions in Life Sciences division, our market leading position in businesses leveraged to the expanding mineral commodities sector and acquisitions in high growth areas of food and pharmaceutical in mainland Europe, South America and North America.

ALS Chairman, Bruce Phillips praised the result commenting “the financial performance of the business in FY2019 to deliver material increases in Underlying NPAT, dividend, revenue and EPS is very pleasing. This is especially true when considering the levels of uncertainty and volatility experienced in the performance of global markets throughout the year. The result also demonstrates the Company’s strategy continues to deliver increasing value for our shareholders in a very competitive global TIC (Testing, Inspection and Certification) market.”

Managing Director Raj Naran also acknowledged the strong results noting that all segments had contributed positive organic growth whilst remaining disciplined with cost management initiatives.

“I am particularly pleased that despite some very competitive markets, the Life Sciences and Commodities business streams have delivered tangible and material improvement in their relative profit margins. It remains our focus across all business streams in FY2020 to achieve operational efficiency through technology and innovation to ensure sustainable margin improvements despite any headwinds that may arise.”

The Commodities division’s underlying contribution was up 35.8% with higher revenue and EBIT coming across the board from the geochemistry, coal, inspection and metallurgy businesses. The Life Sciences division delivered significant revenue growth and margin improvement across all regions, with total revenue up 13.3% and margin up +110 bps leading to an underlying segment contribution increase of 21.8%. The Industrial division revenue was up 9.9% driven by

successful business development efforts focused on maintenance related services. However, EBIT was down 18.3% due to reduced margins associated with the change in the mix of services and price pressure, particularly in Australia.

Revenue from continuing operations of \$1,664.8 million was up significantly by 15.1% on the \$1,446.9 million recorded in the previous corresponding period. The FY2019 statutory result from all operations was a net profit after tax attributable to equity holders of the company of \$153.8 million, up 197%, compared with a net profit of \$51.8 million recorded in FY2018.

A full reconciliation from underlying net profit after tax to statutory net profit after tax is provided in the attached appendix.

Capital Management and Balance Sheet

During the year, ALS actively diversified its funding sources through a mix of banking facilities and US Private Placement Note issues, extending its average debt profile to 5.3 years and reducing weighted average cost of funds by 20 bps. The company maintained a strong balance sheet position with year-end leverage at 1.8x which provides it with the flexibility to pursue targeted acquisition opportunities and investment in technology and facilities.

Final Dividend & Share Buyback

Directors have declared a final dividend of 11.5 cents per share partly franked to 35% (FY2018: 9.0 cents, partly franked to 40%), representing a payout ratio of 60.4% of full year underlying profit and reflective of the strong financial performance and cash conversion.

The dividend will be paid on 1 July 2019 to shareholders on the register at 4 June 2019. The Dividend Reinvestment Plan remains suspended pending continuation of the \$225 million share buyback.

As at 31 March 2019 a total of 18.7 million shares (representing 3.7% of the original base) have been bought back on-market for an overall consideration of \$131.4million.

The Company will continue to use its existing cash balances and free cash flow to fund the buy-back program.

Acquisitions & Investment

During the year ALS invested \$100m in strategic acquisitions and growth projects, including greenfield operations, innovation and capital investment across all business streams in Asia, Europe, North America and South America. Acquisitions were predominantly focused on opportunities in the Food and Pharmaceutical sectors within the Life Sciences business including LABFOR (Brazil), Truesdail and Bioscreen (USA) and Felsilab (Italy).

Divestments

In April the Company completed the sale of its environmental testing business in China to SUEZ. This followed the divestment in March of the Life Science consumer testing business based in Hong Kong and mainland China and followed a decision that given the small size of each of the businesses relative to the market in which they operated, the Groups capital was more efficiently allocated by investing to align with expansion in the Food and Pharmaceutical sectors in Asia, Europe and North and South America.

As previously announced, the Group divested the majority of its Oil & Gas technical services business in July 2017 and in March 2018 decided to exit the remaining laboratory services component. In light of the continuous challenges faced by the business and lack of potential buyers with attractive offers, the Board decided to close the operation.

Operating Businesses overview

Life Sciences

The division continued its consistent pace of growth during FY2019, by strengthening its leadership position in existing markets and new geographies. A strong strategic growth focus (both acquired and organic) continues to be placed on the food and pharmaceutical components of Life Sciences in key geographies in Asia, North & South America and Europe. Key building blocks to accommodate these newer businesses are in place ready for future growth.

The Division's financial performance for FY2019 exceeded expectations, with total revenue growth of 13.3% driven by organic expansion and new acquisitions, and significant margin improvement of 110bps. All regions within the Life Sciences Division were successful in improving EBIT margin. This improvement is a direct result of the continuous and focused implementation of the initiatives around cost management, rationalisation, the introduction of new technologies and the positive results obtained from full integration of the Alcontrol business in the UK (acquired in December 2016).

Both of the key Life Sciences business streams (Environmental and Food & Pharmaceutical) delivered solid revenue gains and during the year. The Environmental business recorded an underlying EBIT improvement of 21%, which was tempered by an improvement of 5.1% in the Food & Pharmaceutical business.

Further acquisitions are being targeted for FY2020.

Commodities

Stronger market conditions and scalable business models drove significant improvements in the Commodities division's financial results for the year.

Geochemistry sample flows increased globally as both established mining clients and junior explorers continued to lift their activity spending levels, particularly during H1 FY2019.

Samples were 7% higher than FY2018 which translated into a 31% improvement in underlying contribution at an underlying margin of 30%. While cost management remained a focus for the Geochemistry business, equal attention was paid to productivity and the timely injection of human and capital resources to service the increasing workloads.

Although the FY2019 sample volumes were up 7%, H2 FY2019 volumes were flat compared to the prior year due to an extended low season and uncertainty in global trading conditions which seem to be temporarily reducing investors interest in the sector. However long-term drivers for the commodities market remains strong.

The increase in regulatory requirements and in demand for high-quality coal in international markets have been strong drivers for the significant growth of coal analytical and testing services. Important wins in mine site services and market share gains, particularly in Australia, drove growth in revenue above 10%. The business continued to manage its cost base and productivity well, translating into a 25% improvement in underlying contribution.

Industrial

The Industrial division recorded total revenue growth of 9.9%, delivered by substantial increase in work volumes in both the USA and Australia.

The Asset Care business stream delivered total revenue growth of 11.5%. Investment in business development efforts focused on maintenance-related services solidified the partial replacement of revenue shortfalls in reduced activity in LNG construction and power station outage programs in Australia and materialised significant growth in the USA. The transition to longer term, but lower margin, maintenance-related services resulted in an overall decrease in contribution to EBIT.

The Tribology business stream continued to deliver solid growth with revenue up 7% across global operations as a result of improved conditions in the Australian mining sector and increased business development activities in the USA. The business stream also yielded strong profitability, notwithstanding an underlying contribution margin down slightly to 21%, compared to 24% in 2018 primarily driven by investment in the sales organization and in the development of new services and capabilities linked to the Internet of Things and data analytics.

Overview of FY2019 Result

Contributions from the Company's business segments for the full year to March 2019 are summarised below.

Full year Financial Results (from continuing operations)	Revenue			Underlying EBIT*		
<i>In millions of AUD</i>	FY19	FY18	+/-	FY19	FY18	+/-
Commodities (inc Minerals & Coal)	620.3	518.9	+19.5%	167.7	123.5	35.8%
Life Sciences	831.4	734.1	+13.3%	124.4	102.1	21.8%
Industrial	213.1	193.9	+9.9%	21.4	26.2	(18.3)%
Total segments (from continuing operations)	1,664.8	1,446.9	+15.1%	313.5	251.8	24.5%
Net financing costs				(32.0)	(25.8)	
Foreign exchange gains				4.6	(4.0)	
Other corporate expenses				(37.0)	(26.5)	
Income tax expense				(67.1)	(51.7)	
Net profit attributable to minority interests				(1.0)	(1.6)	
Underlying* net profit after tax (from continuing operations)				181.0	142.2	27.3%

* Attributable to equity holders of the Company and excluding restructuring and other one-off items, divestment and impairment losses and amortisation of acquired intangibles.

Outlook for FY2020

In the absence of any prolonged trade uncertainty, the underlying global economic conditions in which ALS business streams operate continue to remain stable.

With a platform underpinned by a strong balance sheet and prudent capital management structure, the Group is set to take advantage of opportunities in the Environmental, Pharmaceutical and Food Sectors, and leverage its assets, market share and reputation in the Commodities division.

Combined with a continued internationalisation of the business through consolidation of its operational hub in the USA, global diversification of the Board and senior executive team, ALS is on target to implement its strategic objectives and consolidate its presence as a leading provider of services to the global testing, inspection and certification sector.

The Company intends to follow its usual practice of providing formal financial guidance for the first half year at the AGM on 31 July 2019.

* Underlying EBITDA margin from continuing operations

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Further information:

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About ALS Limited

ALS is a global Testing, Inspection & Certification business. The company's strategy is to broaden its exposure into new sectors and geographies where it can take a leadership position.

The Group's financial performance for the year to 31 March 2019 is summarised as follows:

2019 (\$m)	Underlying results ¹		Restructuring & other one-off items ¹	Amortisation of intangibles	Divestments Write Downs	Statutory result
	Continuing operations	Discontinued operations ²				
Revenue	1,664.8	7.7	-	-	-	1,672.5
EBITDA ³	352.9	(4.1)	(17.6)	-	(9.9)	321.3
Depreciation & amortisation	(71.8)	(1.5)	-	(3.0)	-	(76.3)
EBIT ³	281.1	(5.6)	(17.6)	(3.0)	(9.9)	245.0
Interest expense	(32.0)	-	-	-	-	(32.0)
Tax expense	(67.1)	1.2	4.7	-	3.0	(58.2)
	182.0	(4.4)	(12.9)	(3.0)	(6.9)	154.8
Non-controlling interests	(1.0)	-	-	-	-	(1.0)
Net profit / (loss) after tax (NPAT)	181.0	(4.4)	(12.9)	(3.0)	(6.9)	153.8
Basic EPS (cents)	37.1	-	-	-	-	31.6
Diluted EPS (cents)	37.0	-	-	-	-	31.5

2018 (\$m)	Underlying results ¹		Restructuring & other one-off items ¹	Amortisation of intangibles	Impairment charges	Statutory result
	Continuing operations	Discontinued operations ²				
Revenue	1,446.9	48.2	-	-	-	1,495.1
EBITDA ³	289.3	0.3	(15.1)	-	0.9	275.4
FX losses transferred from FCTR	-	-	-	-	(11.1)	(11.1)
Impairments	-	-	-	-	(63.0)	(63.0)
Depreciation & amortisation	(68.0)	(4.9)	-	(2.6)	-	(75.5)
EBIT ³	221.3	(4.6)	(15.1)	(2.6)	(73.2)	125.8
Interest expense	(25.8)	-	-	-	-	(25.8)
Tax expense	(51.7)	1.2	3.9	-	-	(46.6)
	143.8	(3.4)	(11.2)	(2.6)	(73.2)	53.4
Non-controlling interests	(1.6)	-	-	-	-	(1.6)
Net profit / (loss) after tax (NPAT)	142.2	(3.4)	(11.2)	(2.6)	(73.2)	51.8
Basic EPS (cents)	28.4	-	-	-	-	10.3
Diluted EPS (cents)	28.3	-	-	-	-	10.3

¹ The terms 'Underlying result' and 'Restructuring & other one-off Items' are non-IFRS disclosures. They have been presented to assist in the assessment of the relative performance of the Group from period to period. The calculations thereof are based on non-IFRS information and are unaudited.

² In March 2018, following a further review of the Group's presence in the Oil & Gas sector, Directors decided to exit the remaining business – Oil & Gas laboratories. Refer financial statements note 1e – Discontinued Operations.

³ EBITDA = EBIT plus depreciation and amortisation. EBIT = Earnings before interest and tax. The terms EBITDA and EBIT are non-IFRS disclosures. They have been presented to provide a measure of the Group's performance before the impact of depreciation and amortisation (i.e. non-cash items) as well as that of interest and tax expenses. The calculations thereof are based on non-IFRS information and are unaudited.